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# NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)



## ANNUAL REPORT

1975

# NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)

## HEAD OFFICE

SUITE 1203  
5 PLACE VILLE MARIE  
MONTREAL, QUEBEC H3B 2H1

## EXECUTIVE OFFICES

SUITE 306  
4198 DUNDAS STREET WEST  
TORONTO, ONTARIO M8X 1Y6

## MINE OFFICE

P.O. BOX 275  
NORANDA, QUEBEC

## OFFICERS

Chairman of the Board  
**JOHN R. CAMPBELL, Q.C.**

President and Managing Director  
**H. DOUGLAS HUME**

Vice Presidents  
**GEORGE F. ARCHIBALD**  
**H. C. SAKRISON**

Secretary-Treasurer  
**JAMES WILSON**

Assistant Secretaries  
**J. TODD HOLMES**  
**ROBERT L. LECLERC**

## DIRECTORS

**GEORGE F. ARCHIBALD**  
**JOHN R. CAMPBELL**  
**ROBERT W. CROSBIE**  
**DONALD E. GRIMM**  
**H. DOUGLAS HUME**

**ROBERT L. LECLERC**  
**HAROLD R. LOGAN**  
**IRA E. McKEEVER, Jr.**  
**ROBERT W. V. PURVES**  
**JOSEPH J. RANKIN**  
**HERMAN A. SCHAEFER**

GENERAL COUNSEL  
DOHENY, MacKENZIE,  
GRIVAKES, GERVAIS & LeMOYNE  
MONTREAL, QUEBEC

ONTARIO COUNSEL  
MANLEY, GRANT & CAMISSO  
TORONTO, ONTARIO

TRANSFER AGENT  
CANADA PERMANENT TRUST COMPANY  
600 DORCHESTER BOULEVARD  
MONTREAL 101, QUEBEC,  
AND  
1901 YONGE STREET  
TORONTO, ONTARIO

AUDITORS  
RIDDELL, THORNE & CO.  
ROYAL TRUST TOWER  
TORONTO - DOMINION CENTRE  
TORONTO, ONTARIO

**NEW INSCO MINES LTD.**  
(NO PERSONAL LIABILITY)

March 8 1976.

To the Shareholders:

Your Directors are pleased to submit the 1975 Annual Report on the affairs of your Company.

At the Special and Annual General Meeting of Shareholders scheduled to be held in Montreal on March 25, 1976, the shareholders will be asked to consider changing the Company's fiscal year end from September 30th to December 31st. Therefore, incorporated with this report are audited financial statements for the year ending September 30th, 1975 and audited financial statements for the three month period from October 1st to December 31st, 1975, including balance sheets and statements of deferred exploration and development, administrative expenses and deficit and statement of changes in financial position.

The past year has been one of trouble and concern for the entire Canadian mining industry. Low mineral prices and the continuing conflict with government taxation and regulation policies have seriously impaired the ability of most companies to mine profitably or maintain a return on capital commensurate with risk factors. Early in 1976, we see little improvement for Canadian mining. But, over the longer term there is cause for hope. The American, European and Japanese economies appear to be rebounding from their recent lows and during the current year we can anticipate higher world metal prices. While the Canadian economy has historically lagged behind trends established elsewhere, particularly the United States, it is not likely that the economic recovery will pass us by. The chances are good that our cash flow will improve before year end, as a result of higher metal prices under the lease of our Hebecourt Township copper ore body to Noranda Mines.

In spite of depressed conditions, we have maintained a brisk pace of exploration activity during the past twelve (12) months. The following activity summary highlights these efforts.

## CURRENT EXPLORATION PROJECTS

### I. NOREX-NEW INSCO JOINT VENTURE

This project comprises about 10,000 acres of properties we had assembled on strike with and west of the Iso-Copperfields discovery in Hebecourt Township, Quebec and in seven (7) townships in Ontario. Over a period of about two (2) years the majority of Quebec properties were acquired through options although some were staked on behalf of the Company. The Ontario properties were staked on anomalies detected on a Dighem Survey, flown by New Inesco during 1974.

Exploration of all these properties has been joint ventured by an agreement executed with Noranda Exploration Company, Limited (No Personal Liability), a subsidiary of Noranda Mines Limited (for brevity styled "Norex"), effective June 9th, 1975, providing for the expenditure by Norex of the next \$175,000 on exploration and development. Under the joint venture agreement, Norex would be the mine operator in the event of a mineable discovery. Norex, by fulfilling its firm work commitment, is entitled to a 51% interest in the properties or options; we can maintain a 49% interest by contributing our pro rata expenses for exploration and development.

### II. STURGEON LAKE PROJECT

In the Spring of 1974, study of the Sturgeon Lake region about 130 miles north-west of Thunder Bay was initiated by Dr. H. C. Sakrison, a Vice-President of New Inesco, to determine if favourable stratigraphy could be followed from the Mattabi Mine and, if so, attempt to acquire strategically located claims. Good rocks were identified trending westerly through Sturgeon Lake. By staking we acquired 125 claims, about seven (7) miles west of the Mattabi Mine. Two (2) other large blocks of claims held by mining companies appeared to cover the favourable geology.

Prior work on the properties consists of geophysics and some diamond drilling. It is our intention to do a relatively minor amount of geological mapping and possibly an I. P. Survey. Encouraging results might justify an aggressive drilling program over the course of 2 or 3 years.

### **III. NEW INSCO - W. R. GRACE & CO., BEAUCHASTEL TOWNSHIP JOINT VENTURE**

Three (3) properties, located about ten (10) miles west of Noranda near Highway 59, were optioned for this joint venture owned by West Wasa Mines Ltd., Macanda Copper Mines Ltd. and Geophysical Engineering Ltd. The key property is the West Wasa group of claims which contained the Aldermac copper-zinc deposit, that ceased operations about 1937. Because of anticipated on strike extensions of the 'Aldermac' contact, the Macanda and Geophysical properties were acquired adjoining to the east and west of West Wasa. We completed our first year's drilling commitment (8000 ft. of diamond drilling) on the West Wasa property early in 1975, without an Ore Intersection. Commitments on the Macanda and Geophysical properties will be completed this year.

### **IV. HEBECOURT SYNDICATE PROPERTIES**

Late in 1972, these two (2) claim groups were acquired by a Syndicate, in which New Inesco has a 46 2/3% interest, on strike with and east and west of the Iso-Copperfield discovery. Our ore body was discovered on the east group in January 1973. The portion of the property containing the ore body was leased to Noranda Mines Limited in February 1974, with exploration rights on the balance of the property retained by the Syndicate.

These properties comprise two (2) claim groups of 600 acres each, measuring one (1) mile square. A gravel road has been completed into the properties which are located about 30 miles north west of Noranda.

To date, the project has cost the Syndicate \$535,690 on exploration and development. Under the Noranda lease the Syndicate has received \$3,024,250 of which New Inesco's share was \$1,411,161. We expect to receive not less than two (2) more payments of \$280,000 each, plus royalties based on the selling price of copper in excess of 65¢ per pound and a net smelter royalty of 0.42%.

#### **1. HEBECOURT EAST GROUP – AREA OUTSIDE OF NORANDA LEASE**

##### **EXPLORATION AND DEVELOPMENT**

A contract has been let to Noranda Mines Limited to conduct an I. P. Survey over portions of this claim group. Detailed geological mapping in the vicinity of the ore zone has been completed. Deep drilling down dip of the ore zone was completed late in 1974 with encouraging results. Less encouraging results were obtained in the east central portion of the property and along the east border with the property held by Sunburst Exploration Limited.

##### **GEOLOGICAL ASSESSMENT**

Geological indications are favourable for finding additional ore. The alteration zone in which the orebody is located has never been bottomed and some of the deepest holes, 2,000 feet below the orebody, have been well altered and contain high anomalous base metal values. The possibilities for finding additional ore at depth appear good. Other areas of the property particularly to the east and south remain unexplored.

##### **FUTURE EXPLORATION**

Additional diamond drilling will likely be carried out:

- (a) Down dip at depth;
- (b) By regional exploration on anticipated new geophysical targets; and
- (c) By systematic drilling for geological information in areas of unknown geology.

#### **2. HEBECOURT WEST GROUP**

##### **EXPLORATION AND DEVELOPMENT**

To date, only limited geophysical surveys have been conducted, although a contract has been let to Noranda Mines Limited to carry out an I. P. Survey.

Due to heavy overburden very little is known about the geology. Mapping of all available outcrop indicates that the Iso-Copperfields-New Insco ore horizon crosses the central portion of this property. No geophysical anomalies of significance have been located to date.

Additional geophysical surveys are planned, as well as diamond drilling of geological cross-sections for information.

#### V. LAC DUFault PROPERTY

This is the original New Insco property, staked in 1938, now enlarged to an aggregate of about 3,659 acres by the addition of the adjoining Arno and Larandona properties. A great deal of exploration has been conducted on the property. Large areas are still unexplored and we regard the property as having excellent exploration potential. The Company's pace of activity has been cautious, as 80% of the property lies under Lac Dufault — making any exploration effort extremely expensive.

#### VI. CLERMONT-CHAZEL AND DESMELOIZES TOWNSHIPS

During the past summer we acquired, under option agreements two (2) claim groups approximately fifty (50) miles north of Noranda. Part of the property consisting of 831 acres in Clermont and Chazel Townships was acquired because of its location in the Normetal belt, 13 miles from the Normetal mine and because of favourable drill indications by Great Plains Developments less than 1,000 feet from the claim group. The remainder of the property, 3,200 acres in Desmeloizes Township, was acquired because it contains an ore body of about 120,000 tons of copper, grading about 2%, with a three-compartment shaft to 1,000 feet.

These properties and the geology in the area deserve a thorough check for potential ore zones. Thus far, we have completed (with negative results) an I. P. Survey on strike of the Great Plains Developments discovery and have mapped 30 miles of line cut over the favourable portion of the Desmeloizes Township property.

#### VII. BEARDMORE-TASHOTA JOINT VENTURE

In August '75 we were invited by Lynx-Canada Explorations Limited to participate to the extent of 25% in a joint venture on two (2) properties in the Beardmore area of North-western Ontario, known as the Headway-Coulee property (1,320 acres) and The Tashota-Nipigon property (400 acres).

On one property a great deal of exploration work had been filed by Noranda Mines Limited, who did not drill all significant geological and geophysical targets. The prospect appears very good for the amount of work that will be required to test high priority drill targets already identified.

Attention was directed to this area by the discovery of widely scattered high grade copper float. The source of the float is expected to be "up ice", which places the properties in a very favourable location.

Rocks in place and the float have been examined by us. These properties are deemed worthy of an exploration effort.

Lynx, Dejour and Reynolds have acquired a great number of claims in the area for their own account and are drilling a small ore lens about a half-mile south of the Headway-Coulee claims. It appears that the rocks hosting the ore zone strike into the Headway-Coulee property.

Work on both properties will follow the exploration now underway by Lynx et al on the adjoining property. Anomalies are already identified by previous operators but have not yet been drilled. Some drilling is expected to be completed during March, 1976.

## **VIII. URANIUM PROJECTS**

Two (2) small properties containing uranium mineralization were acquired in 1975. The Prairie Lake property, consisting of 77 acres north of Lake Superior, is in a carbonatite pipe. Mines in carbonatites have produced copper, niobium, phosphate and rare earths. The uranium occurrence indicated in earlier work requires additional study and drilling in an effort to increase tonnage and confirm grade.

The Esson Lake property, consisting of 160 acres near Bancroft, Ontario, was staked in anticipation of a long term exploration program in the area. High radioactivity is present in skarn (crystalline limestone) an association which makes significant tonnage elsewhere in the Bancroft district (Northern Nuclear claims lmt, 2 lbs./ton U<sub>3</sub>O<sub>8</sub>).

It is intended to conduct geological and radiometric studies on both properties, to be followed (to the extent merited) by a drill program.

## **IX. OTHER PROJECTS**

### **1) MATACHEWAN SYNDICATE PROPERTIES**

We hold a 46.875% interest in 24 claims staked near Matachewan, Ontario in Cairo, Montrose and Powell Townships.

A letter of intent has been executed by the Syndicate members, whereby nine (9) claims in Cairo Township are to be optioned to Texasgulf Inc. The agreement calls for a modest cash payment in advance, further cash payments if the option is extended and a 10% carried interest in any ore bodies discovered. A drill program by Texasgulf will likely get underway this Spring.

We hope to option other properties to other mining interests.

### **2) PURCHASE OF CONTROL BLOCK OF HORNE FAULT MINES LTD.**

On January 30th, 1976, we completed the purchase of 2,458,878 shares of this company from Falconbridge Nickel Mines Ltd. This block of stock represents 63.5% of the issued shares of Horne Fault. The Company has a modest treasury, a 465-acre property in Beauchastel Township and holds 577,178 shares of West Wasa Mines Ltd.

This acquisition increases our property interests in Beauchastel Township and will likely serve as a vehicle for further property acquisitions and exploration programs in the Noranda region and elsewhere.

### **3) DUVAL INTERNATIONAL-NEW INSCO JOINT VENTURE, LAKE NIPIGON REGION**

Duval holds a 63 claim property near Stewart Creek, on the east side of Lake Nipigon. Geophysics have identified an impressive E. M. anomaly. A drill program designed to test the anomaly will be started in March, 1976. Should results prove encouraging on the first drilling, New InSCO can earn a 50% undivided interest in the claim block with Duval by a total expenditure of \$50,000. The property would then be developed on a 50/50 basis with Duval reserving the right to operate a mine.

## **ABANDONED PROJECTS**

During the past fiscal year completed and abandoned projects were:

### **1) FROBEX-NEW INSCO J. V. - BOUSQUET TOWNSHIP**

Before spring break-up we drilled a strong E. M. conductor under Lac Chassignolle. No significant mineralization was encountered. The cause of the anomaly was a graphitic schist. The project was abandoned and our claims will be allowed to lapse.

## **2) BERRY-DESBOUTES GOLD PROSPECT: GRACE-NEW INSCO J. V.**

We drilled eight (8) holes with an NQ drill core in order to get a large sample. The mineralized zone was cut in every hole revealing good widths. Unfortunately, ore grade gold assays were identified only over very short widths of 1 to 3 feet in several holes. Assay results were not good enough to warrant further work. We have abandoned our option and our staked claims are being allowed to lapse.

Total cost on this J. V. was \$88,883, shared equally by W. R. Grace & Co. and New InSCO.

## **3) ROSNEL GOLD-SILVER PROSPECT: SIOUX LOOKOUT REGION**

This property was optioned about a year ago after several inspections that included sampling of surface rocks. Gold and silver assays were quite high. We were hopeful that the values would prevail on strike and to sufficient depth to prove up a mine.

The property was thoroughly mapped. The structure was impressive enough to justify diamond drilling. Five (5) holes were drilled for a total core length of 1,504 feet. Several holes produced ore grade gold and silver over length of about 3 feet. These widths were disappointing, and work was halted and the option abandoned.

## **4) SUNBURST EXPLORATION LTD. – NEW INSCO, W. R. GRACE & CO. J. V.**

This property adjoins on the east end of the claim group containing our ore body. We drilled eight holes and deepened one hole for an aggregate of 4,783 feet of core. All prime geophysical targets were drilled but the geological potential of the property has not been eliminated. Notwithstanding, by mutual agreement, the option was terminated in October, 1975.

### **STATUS OF NORANDA LEASE**

Including a payment of \$280,000 received on March 1<sup>st</sup>, we have received lease payments from Noranda totalling \$1,411,161. Copper is still selling well below 65¢ per pound on the London Metal Exchange, and we cannot expect monthly bonus payments until world copper prices exceed 65¢.

Mine preparation work is progressing at a moderate pace. The access road is in fair condition and the site is totally cleared. The ramp, measuring 15' x 20' at the portal has advanced on the north side of the ore body about 1000 feet at a decline of about -18°. Overburden from the deposit will be stripped in the Spring.

Because of the world copper glut and depressed prices, it is conceivable that Noranda will defer actual mining operations until market conditions guarantee a favourable rate of return.

## FUTURE PROSPECTS

Assuming sufficient time and money to exploit fully our properties and present exploration strategy, there is every reason to expect further success. There are definite indications that the world economy will improve as will our cash flow with an anticipated rise in copper prices.

Our expertise lies substantially in the realm of base metal exploration but our geologists have experience with uranium deposits. While we would not pass up any economic mineral deposit, we intend to concentrate efforts on base metals and uranium deposits. Uranium as an energy source appears to have an assured future. We have two uranium properties of merit which are reported on in this report. When it appears propitious, within the limit of our resources, we will attempt to increase our mining property interests in the regions in which we are now committed and will look for promising base metal and uranium properties wherever we believe them to exist.

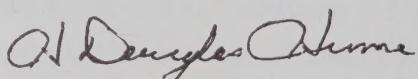
It is our opinion that the Company's future can best be guaranteed by continuing on our present course. Our main effort should be directed towards building up a long term inventory of mineable Canadian ore bodies, through careful and detailed exploration of our properties and seizing any suitable mining opportunities when they occur.

The mining properties we have assembled in the past several years provide us with a very large land inventory possessing superior exploration potential. Through acceptability of our joint ventures, we have demonstrated an ability to package large programs and manage effectively a great number of projects and a high dollar volume of exploration work.

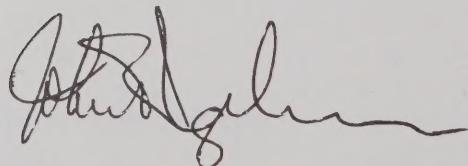
We believe that we should continue to utilize our total income on exploration. While luck plays an important part in ore discoveries, we believe luck is the product of preparation exposed to opportunity.

Respectfully submitted,

ON BEHALF OF THE BOARD,



H. Douglas Hume  
President and  
Managing Director



John R. Campbell, Q.C.  
Chairman

## **AUDITORS' REPORT**

NEW INSCO MINES LTD.  
 (No Personal Liability)  
 Incorporated under the laws of Quebec

BALANCE SHEET

	December 31, 1975	September 30, 1975	September 30, 1974
<b>ASSETS</b>			
CURRENT ASSETS			
Cash	\$ 36,043	\$ 45,800	\$ 143,197
Short-term investments, at cost which approximates market value	100,000	174,000	138,781
Accounts receivable	4,761	4,761	75,644
	<u>140,804</u>	<u>224,561</u>	<u>357,622</u>
SHORT-TERM INVESTMENTS IN TRUST, at cost which approximates market value (security for debentures payable (note 4))	<u>390,978</u>	<u>385,000</u>	<u>250,000</u>
INVESTMENTS			
Shares of mining company, at lower of cost and market value (market value, December 31, 1975 - \$12,800; September 30, 1975 - \$17,600; 1974 - \$6,400)	6,403	6,403	6,403
Other investments, at cost	<u>1,057</u>	<u>1,057</u>	<u>2,084</u>
	<u>7,460</u>	<u>7,460</u>	<u>8,487</u>
MINING PROPERTIES AND RELATED EXPENDITURES (notes 1, 2 and 4)			
Mining properties, at cost	959,154	971,630	903,446
Deferred exploration and development expenditures	1,132,201	1,121,028	1,080,916
Building and equipment less accumulated depreciation (December 31, 1975 - \$7,823; September 30, 1975 - \$7,281; 1974 - \$4,838)	<u>18,136</u>	<u>18,202</u>	<u>15,817</u>
	<u>2,109,491</u>	<u>2,110,860</u>	<u>2,000,179</u>
	<u><b>\$2,648,733</b></u>	<u><b>\$2,727,881</b></u>	<u><b>\$2,616,288</b></u>

Approved by the Board

John R. Campbell Q.C. .... Director.

H. Douglas Hume .... Director.

## AUDITORS' REPORT

To the Shareholders of  
New Inesco Mines Ltd.  
(No Personal Liability)

We have examined the balance sheet of New Inesco Mines Ltd. (No Personal Liability) as at December 31, 1975 and September 30, 1975 and the statements of income and retained earnings, deferred exploration and development expenditures and changes in financial position for the periods then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1975 and September 30, 1975 and the results of its operations and the changes in its financial position for the periods then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of 1974.

Toronto, Canada  
February 26, 1976

Thorne Riddell & Co.

Chartered Accountants

NEW INSCO MINES LTD.  
(No Personal Liability)

STATEMENT OF INCOME AND RETAINED EARNINGS

	Three months ended December 31, <u>1975</u>	Year ended September 30, <u>1975</u>	<u>1974</u>
<b>Income</b>			
Royalties	\$ 70,000	\$282,453	\$732,042
Interest	<u>12,354</u>	<u>38,576</u>	<u>28,600</u>
	<u><u>82,354</u></u>	<u><u>321,029</u></u>	<u><u>760,642</u></u>
<b>Expenses</b>			
Administrative	30,728	108,868	103,982
Amortization of cost of mining property including expenditures thereon (note 2(a))	11,402	45,611	26,596
General exploration	23,783	124,044	48,976
Cost of mining properties abandoned during the period including exploration expenditures thereon	20,846	131,078	102,983
Write-down of shares of other mining companies to market			9,598
Interest on debentures	<u>5,775</u>	<u>11,250</u>	<u>292,135</u>
	<u><u>92,534</u></u>	<u><u>420,851</u></u>	<u><u>292,135</u></u>
<b>NET INCOME (LOSS) (note 6)</b>	<b>(10,180)</b>	<b>(99,822)</b>	<b>468,507</b>
<b>Retained earnings (deficit) at beginning of period</b>	<b><u>90,566</u></b>	<b><u>190,388</u></b>	<b><u>(273,949)</u></b>
Incorporation expense written off	<u>80,386</u>	<u>90,566</u>	<u>194,558</u>
			4,170
<b>RETAINED EARNINGS AT END OF PERIOD</b>	<b><u>\$ 80,386</u></b>	<b><u>\$ 90,566</u></b>	<b><u>\$190,388</u></b>
<b>EARNINGS (LOSS) PER SHARE</b>	<b>Nil</b>	<b>(3¢)</b>	<b>15¢</b>

**NEW INSCO MINES LTD.**  
**(No Personal Liability)**

**STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES**

	Three months ended December 31, <u>1975</u>	Year ended September 30, <u>1975</u>	1974
<b>EXPENDED DURING THE PERIOD</b>			
Arcadia Panakan			\$ 12,589
Aracp Diversified		\$ 723	7,387
Berry-Deboues Township		18,265	12,508
Clermont-Chazel	\$ 1,387	3,556	
Dokis-Bisley	739	4,547	
Duvan	9,945		
Hebecourt - Range 1 - lots 16-18		4,904	
Hebecourt Sunburst	237	9,967	22,776
Hebecourt East (Syndicate)	111	9,104	69,067
Hebecourt West			4,955
Killalal Lake	4,039		
Lynx-Hurd		561	7,757
Macanda	8,267		
Mustang Arcadia		2,146	11,450
Protea		24,789	11,384
Rosnel Siding		38,614	
Sherbrooke		590	10,016
Sturgeon Lake	489	10,685	
West Wasa (Beauchastel)	41	48,703	
General exploration expenditures	23,783	124,044	48,976
Other projects	1,940	10,136	35,820
	<u>50,978</u>	<u>311,334</u>	<u>254,685</u>
<b>BALANCE AT BEGINNING OF PERIOD</b>	<b><u>1,121,028</u></b>	<b><u>1,080,916</u></b>	<b><u>989,381</u></b>
	<b><u>1,172,006</u></b>	<b><u>1,392,250</u></b>	<b><u>1,244,066</u></b>
Less			
Amortization of exploration expenditures on Hebecourt East (note 2(a))	8,176	32,705	19,067
General exploration and expenditures on properties abandoned during the period	<u>31,629</u>	<u>238,517</u>	<u>144,083</u>
	<u>39,805</u>	<u>271,222</u>	<u>163,150</u>
<b>BALANCE AT END OF PERIOD</b>	<b><u>\$1,132,201</u></b>	<b><u>\$1,121,028</u></b>	<b><u>\$1,080,916</u></b>

NEW INSCO MINES LTD.  
(No Personal Liability)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Three months ended December 31, <u>1975</u>	Year ended September 30, <u>1975</u>	1974
<b>WORKING CAPITAL DERIVED FROM</b>			
Operations	\$46,393	\$203,381	\$658,943
Increase in debentures payable	250,000	250,000	
Issue of capital stock for acquisition of mining property	50,000		
Proceeds on sale of investment	1,000		
	<u>46,393</u>	<u>504,381</u>	<u>908,943</u>
<b>WORKING CAPITAL APPLIED TO</b>			
Exploration and development expenditures	50,978	311,334	254,685
Additions to building and equipment	476	4,828	6,990
Acquisition of mining properties	3,750	97,695	125,765
Purchase of short-term investments in trust	5,978	135,000	250,000
Repayment of debentures payable	115,000		
	<u>61,182</u>	<u>663,857</u>	<u>637,440</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL POSITION</b>	<u>(14,789)</u>	<u>(159,476)</u>	<u>271,503</u>
<b>WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF PERIOD</b>			
As previously reported	66,386	475,862	(45,641)
Reclassification of short-term investments in trust	250,000		
As restated	<u>66,386</u>	<u>225,862</u>	<u>(45,641)</u>
<b>WORKING CAPITAL AT END OF PERIOD</b>	<u>\$51,597</u>	<u>\$ 66,386</u>	<u>\$225,862</u>

NEW INSCO MINES LTD.  
(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1975

1. ACCOUNTING POLICIES

The company's policy is to write off all administrative and general exploration expenditures incurred during the period and to capitalize the cost of acquisition and expenditures on mining properties currently in good standing. Upon disposal or abandonment of a property, its cost and related expenditures are written off to income.

2. MINING PROPERTIES

(a) The company has a 46.67% participating interest in 12 mining claims in the Township of Hebecourt ("Hebecourt East"), Province of Quebec. By an agreement dated February 28, 1974 Noranda Mines Limited leased the orebody, as delineated in the agreement, from the participants in consideration for the following:

- (i) Assuming 48,000,000 pounds of accountable copper, a royalty of 5 cents per pound payable as follows:

\$600,000 on February 28, 1974 (company's share \$280,000)  
600,000 on each of February 28, 1975, 1976 and 1977  
(company's share each year \$280,000)

If more or less than 48,000,000 pounds are produced, the final payment will be increased or decreased accordingly.

- (ii) Assuming production of 1,000,000 pounds of accountable copper per month commencing March, 1974, an additional royalty of one-half of the difference between 65 cents per pound and the average price per pound Noranda receives from its overseas copper sales. Should the average price be 65 cents or less, no additional royalty shall be payable and the participants shall not be penalized therefor.

The cost of the property together with the exploration and development expenditures thereon is being amortized on a straight-line basis over the term of the lease.

- (b) In 1975 the company granted an option to another company ("optionee") to explore properties owned or held under option by the company in the Hebecourt Township area of Quebec. The optionee may earn 51% of the company's interest in these properties by expending \$175,000 in expenditures on the properties by June 30, 1977. Once these expenditures are made, the company must pay 49% of any further expenditures, or have its interest reduced proportionately except that it cannot be reduced to less than 10%.
- (c) The company has an interest in a number of other option agreements covering mining properties. The company's portion of option payments and/or exploration expenditures required in the next three fiscal years to keep the options in good standing amount to approximately \$205,000, \$128,000 and \$297,000 respectively. These are not firm commitments and, accordingly, the options can be terminated at any time.

NEW INSCO MINES LTD.  
(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1975

3. CONVERTIBLE DEBENTURES PAYABLE

The debentures, which are for seven years and are non-interest bearing, were issued in 1973 as consideration for certain mining claims. They are convertible into common shares of the company at the rate of \$2.75 per share, increasing in yearly increments to \$3.25 per share by July 1, 1978.

4. DEBENTURES PAYABLE

The company entered into an agreement with W.R. Grace & Co. ("Grace") on February 20, 1973 whereby Grace agreed to loan the company \$250,000 during each of 1973 and 1974 and have the option of lending an additional \$500,000 prior to 1977. In consideration of the loans, Grace will receive:

- (a) Debentures in like principal amount maturing on December 31, 1980 and bearing interest at 6% per annum commencing January 1, 1975 or on date of issue, whichever is later. The debentures are secured by a floating charge on all of the assets of the company and a specific charge (which charge is subordinated to the Noranda lease referred to in note 2(a)) on 6 mining claims in Hebecourt Township (Hebecourt East).

The company retired \$115,000 in principal of the debentures during the year ended September 30, 1975. The warrants applicable to these debentures are still outstanding.

- (b) Share purchase warrants, expiring December 31, 1976, as follows:

<u>Amount and date of loan</u>	<u>Number of warrants</u>	<u>Price per share</u>
\$250,000 January 1, 1974	440,000	\$2.00 until December 31, 1976
\$250,000 September 30, 1975	170,000	\$2.25 until December 31, 1976
\$500,000 prior to January 1, 1977	276,912	\$2.50 until December 31, 1976

Grace has the right to acquire up to 51% of the company's interest in any property they may acquire, in consideration for Grace paying their share of the costs.

5. CAPITAL STOCK

- (a) Unissued shares are reserved as follows:

610,000 for the exercise of warrants  
8,073 for the conversion of debentures  
  
618,073

NEW INSCO MINES LTD.  
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NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1975

5. CAPITAL STOCK (Cont'd)

(b) During the year ended September 30, 1975 the company issued 20,000 shares of its capital stock valued at \$50,000 as consideration for the purchase of mining claims in Dufresnoy Township, Quebec. The consideration for the shares in excess of their par value has been credited to contributed surplus.

6. INCOME TAXES

The company claims exploration and development expenditures for income tax purposes in amounts differing from those written off in the accounts. As at December 31, 1975 the company had approximately \$865,000 of such expenditures available (subject to assessment by taxation authorities) to apply against any taxable income of future years.

7. COMMITMENT

By an agreement effective April 15, 1974 the company has agreed to pay a consultant \$35,000 per year until April 15, 1978.

8. SUBSEQUENT EVENT

Subsequent to December 31, 1975, the company acquired 63.6% of the outstanding shares of Horne Fault Mines Limited for \$43,030.

9. CHANGE IN YEAR END

The company, by resolution of the board of directors, has changed its year end to December 31 effective December 31, 1975.

10. ANTI-INFLATION LEGISLATION

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective October 14, 1975, with respect to the payment of dividends to shareholders. Under these regulations, the company may not pay or declare a dividend in the twelve months ending October 13, 1976, unless it applies for and receives a special ruling from the Anti-Inflation Board.

11. STATUTORY INFORMATION

Remuneration of directors and senior officers aggregated \$33,253 for the three months ended December 31, 1975 and \$128,130 and \$94,500 for the years ended September 30, 1975 and 1974 respectively.





